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AN EVALUATION OF THE MCKNIGHT LOW-INCOME SINGLE PARENT LOAN PROGRAM

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The interpretive content in this report is solely the responsibility of the authors.

An Evaluation of the McKnight Single Parent Loan Program

HIGHLIGHTS

The McKnight Single Parent Loan Program was established to provide interest-free loans (typically at a maximum of $500) for low-income single parents who were engaged in paid work or in an active job search or in a job training program. An anonymous volunteer loan committee, comprised of professionals, paraprofessionals from community agencies and former clients of each host agency, reviewed applications and selected recipients based on program criteria.

This evaluation was initiated to determine whether a loan fund can be a significant factor in enabling low income single parents to obtain and retain employment and to deal with critical crises that may affect their economic and family stability. The data presented here represents the first year of the program, 1984-85.

Demographic Characteristics

- Single parents who received loans were predominantly Black women in their late 20's and early 30's.
- Well over one-half had only 1 or 2 children; the average age of the children was 9 years; almost 1/3 were of pre-school age.
- 39% had some college education; 1/3 were High School graduates and only 13% had less than a High School education.

Employment and Earnings

- 63% of the loan recipients were employed at the time of application for a loan.
- Recipients were typically employed by businesses (51%); by the service sector (22%); or by governmental units (10%).
- Typically, the jobs were at the low end of the wage scale, with job descriptions such as typists and clerical workers, clerks and cashiers, and paraprofessionals or aide positions.
- The mean net monthly income from wages was $679, or $8148 annually.
- Of the employed recipients, 58% had been in their current job one year or less.

Income Sources

At the time of the loan:

- 56% of the loan recipients received wages from a job.
- 56% of the loan recipients received AFDC benefits.
- 50% of the loan recipients received foodstamps.
- Loan recipients supplement their low incomes by housing assistance (39%) and medical assistance (more than 50%).
- Child support payments are received by less than 10% of the recipients.

Loan Denials

Out of the 917 applicants, 394 (43%) were denied loans.

Profile of Those Denied Loans

- Compared to the recipients, the children of those denied loans were somewhat younger, the families were slightly larger, and their incomes were slightly lower. A higher unemployment rate prevailed and more of there income came from AFDC.

(3)
HIGHLIGHTS
(cont)

Findings

The Loans

AMOUNTS:

- Loans ranged from $30.00 to $500.00. The average loan was $422.
- The $429 average loan represents 58% of the recipients' average monthly income.
- Most loans related to the major categories of transportation (42%); housing (30%); and utilities (17%).
- Within these major categories of loans, the predominant specific purposes were car purchases and repairs, rent and damage deposits and gas/electricity and telephone bills.
- The provision of a loan rather than a grant met almost unanimous approval by the recipients.

Repayment of Loans

- Overall, 67% of the recipients made varying payments toward their loan.
- 30% of the loan recipients had repayment rates of 50% or more.
- 33% made no payments.
- Common reasons given for falling behind in loan repyaments were: increased indebtedness, income decline and emergency crises.

Value of the Program as Perceived by the Recipients

- The loan program was uniformly valued by the recipients. They reported many tangible benfits such as the establishment of a positive credit rating and many intangible benefits such as some relief from the stresses of a crisis-filled life.

Status of Recipients

- 47% of the loan recipients were able to be located for follow-up interviews.
- Those interviewed had maintained their employment status and income level from the time the loan was received. A few had improved their incomes.
- Half of those who were unemployed were in a job search.
- Of those interviewed, 57% said things were generally better for them than at the time they received the loan, 31% said things were worse. Almost two-thirds of the interviewees said the loan played a part in the stability or improvement of their overall situations.
- Of those who had a repayment rate of 50% or more, almost 2/3 received income from wages and almost 1/2 received a subsidy for housing costs. Their expenditure patterns for rent/mortgage, utilities, transportation, and child care were substantially lower than the zero-repayment group. Less than one-half of this zero-repayment group received incomes through wages, depended heavily on foodstamp assistance (using twice the amount of those who were able to pay back 50% or more). Further, they were more than twice as likely to be in debt to their landlords.

Recommendations

The loan fund should be maintained for those who receive a major portion of their income through wages and receive housing assistance or its equivalent to a degree that enables them to have at least $80.00 per month for disposable income -- that is -- this amount left over after meeting the basic needs of food, shelter and basic living expenses.

A grant program and other assistance is needed for those who rely chiefly on AFDC as a source of income and have expenditure patterns that seriously outpace their income. The loan from this program only adds to their indebtedness.

INTRODUCTION: UNDERSTANDING THE CONTEXT

A concentration of studies emerged in the early 1980s to provide knowledge about the economic status of single parent families with dependent children.[1]

Many of these studies exposed the dynamic changes that occur in families of young child-bearing population: teen pregnancy and parenthood, marriage, child-bearing, divorce, remarriage and children born out-of-wedlock. While family composition and circumstances varied widely, one condition was likely to be a common experience: poverty, when the family had to depend on a mother as breadwinner. That female-headed households are the major component of the poor in this country was the story of the early 1980s. Indeed, the phrase, "the feminization of poverty" captures the phenomenon succinctly. Moreover, it was the persistence of this poverty that drew some limited attention. Recent data disclosed that while increased employment helped to boost the income of some families, sharp disparities emerged. Single parent families were left behind. Families maintained by women in 1984 had a median income of $12,800, considerably less than half that of the two-earner family, whose income rose to $31,710 in 1984.

Moreover, the disproportionate number of black families in poverty was noted. In the midwest region, the median income of Black families headed by women was $8,452 in 1984, substantially below the poverty level. The poverty threshold for a family of four in 1984 was $10,609. For 1985, the latest data available, the threshold had risen to $11,000 for a family of four, $9,120 for a family of three, and $7,240 for a family of two. Indeed, more than half of the families headed by Black women were subsisting below the poverty level. Attachment to the labor force did not guarantee a decent level of income. Women continued to lag behind men in their earning capacity, earning $.64 for every $1.00 earned by men in both 1983 and 1984. While working full time enabled many families headed by Black women to escape life at the poverty level, almost 20 percent of these families were trapped at the poverty level or below, despite working fifty-two weeks a year. If part-time work was the pattern, almost 60 percent fell into the poverty category. The poverty rate among Black children persisted at a high level throughout 1984. Among Black children, the rate was 46.5 percent. A slight decline was noted for white children, recorded at 16.5 percent in 1984.

While it is difficult to trace cause and effect in the complexities of tracking entrances into and exits from poverty, it is important to note that the government's role in meeting the needs of low-income families underwent a major policy change in 1981. Substantial reductions in expenditures for social welfare programs serving low-income people were established in policies enacted in the Ominibus Reconciliation Act of 1981.

Perhaps the most dramatic change occurring under this legislation was the elimination of work incentives under the AFDC program which enabled women working at low wages to receive supplementation from that program. (This policy of work incentive is widely known as "30 and 1/3." It is an income-disregard. AFDC subtracts the first $30 of earned income and 1/3 of the remainder from a women's gross wages before calculating her grant reduction. Women could also, under this policy, deduct certain work expenses. As a single parent's wages went up, her grant amount was gradually lowered until she reached a cut-off point. Under OBRA, the earned income-disregard and other incentives of the 1960s and 1970s were largely eliminated. Currently, in Minnesota, a wage of $4.63 per hour disqualifies a single parent with one child from the supplementary help of AFDC. Since many programs, such as Medicaid and child care are related to the eligibility for AFDC, working women cut from the AFDC program may also be eliminated from these benefits as well.

The reliance of single parent families on social programs is illustrated by the fact that in 1984, free or reduced price lunches were received by 46 percent of households maintained by women for their school-age children. Two-thirds of children in female-headed households were receiving benefits such as food stamps, Medicaid and subsidized housing. The proportion was 85 percent for such Black and Hispanic single-parent families.[3] All of these programs have systematically suffered budget cuts over the past few years. Eligibility has been tightened and access by the "working poor" has been severely limited.

At the same time, government studies disclosed that housing costs grew faster than family incomes. Rent rose sharply as a proportion of income from 1973 to 1983: median gross rent rose 137 percent from $133 to $315.[4] Utility costs rose dramatically, especially in Minnesota in the winter months.

Moreover, there were strong indications from this evaluation study in Minnesota that when housing and utility costs outpace income, this results in single parents and their children moving from place to place in search of cheaper housing and in flight from unpaid utility bills.

Even the tax code produces a regressive feature for low-income families. In 1984, a family of four with income at the 1984 poverty level of $10,613 paid $1,076 in income and social security taxes--over 10 percent of family income. As has been reported in a number of tax studies, the working poor find few tax breaks and the earned income tax credits have been sharply diminished by inflation.[5]

A few studies emerged from 1981 to 1983 to document the effects of the OBRA decision to curtail AFDC aid to those families who had low income earnings.[6] As these studies showed, single parent families eliminated from the rolls of AFDC may have crossed the welfare threshold, but a high proportion suffered increased hardships.

But sustained attention to the "working poor" was not maintained. Public attention was diverted to those families remaining on AFDC with absorbed interest on how to move them into "self-sufficiency." While a measure of amnesia on the fate of those who had moved into the first rung of economic independence resulted in policy neglect of this population, there was increased evidence that serious income problems were a dominant force in their lives. Little was known on the specific circumstances which stabilized or destabilized their fragile household economies. Or indeed, what might help single parent families maintain their grasp of the first slippery rung of the self-sufficiency ladder.

Against this background, the McKnight Foundation launched an important experiment in exploring ways in which a loan program might make a difference to single-parent families living in marginal economic circumstances. An evaluation study was commissioned to provide an assessment of the experiment. The evaluation of the first year's experience forms the basis of this paper.

THE LOAN PROGRAM

The McKnight Single Parent Loan Program was initiated to provide interest-free small loans (at a maximum of $500) for low-income single parents who were working for wages, actively seeking work, or in a job training program. The program was initiated in July 1984 with $200,000 set aside by the directors of the Foundation to be used for the loan fund.

The origins of this experimental project are instructive. Responding to the needs of low-income families is a long-standing interest of the McKnight Foundation and the search for appropriate responses is a persistent concern. In this instance, the idea for the loan program was stimulated by a direct exchange between Foundation staff and a panel of representative low-income mothers who were working at jobs with minimal wages. Their vivid observations of their life circumstances and their determination to maintain their independence through paid work provided the idea for the loan project.

The program was designed to use two existing agencies, CHART, a non-profit organization to aid women in employment counseling and employment, located in Minneapolis; and PAT (Putting it All Together) in St. Paul. These agencies were already administering a range of programs to serve low-income women.

The staff of the programs consisted of a loan coordinator and an anonymous volunteer loan committee comprised of professionals, para-professionals and former clients of the host programs who had an intimate understanding of low-income constituencies (see Appendix I for composition of the loan committee).

The volunteer loan committee met monthly, sometimes biweekly, to review 15-25 loan applications. From the beginning, it was intended that the loan committee with its combined knowledge, understanding and "street smarts" could be trusted with wide discretion to make decisions on approvals and denials. A framework for decisions was based on one basic criterion: that the applicant had a strong attachment to the labor market through paid work. This could be judged by the jobs held or participation in a work/training program. Essential considerations in reviewing applications were as follows: disposable income, existing debts, the nature of the loan request, the availability of other community resources, and the individual's "motivation." "Extenuating" circumstances were also considered.

The loan coordinators screened out those who clearly did not meet the criteria and took the responsibility for referring them to other programs and services in the community. The loan coordinators, in sharing experiences, did clarify the uses of the loans as the project matured. For example: phone loans could be made for installation and deposits, but loans to pay accumulated indebtednesses of phone bills, except in rare circumstances were declared ineligible; replacing furniture was generally ineligible since other community resources existed for that purpose.

Different outreach strategies were used by each program. PAT relied chiefly on its own client group and the informal networks of neighbors, friends and agency relationships. CHART sought to rely chiefly on agency referrals.

In the process of creating awareness for the project, a significant amount of distortion occurred, as the informal networks communicated information about the nature of the project. This required a good deal of explanation and "unraveling of the truth," for the staffs of the projects. At one point, almost two-thousand applicants showed up at one of the agencies when word went out that there was "free money" available.

The rapid spread of news about the program (a news story, neighborhood networks, newsletters) and the depth of need from potential applicants swamped the programs at the beginning. With no models and few experiences to guide the administrators of the program, trial and error during the first few months were inevitable. As the criteria became more clearly understood, the applications subsided to manageable proportions, although verification of applicant information continued to absorb time and effort. The loan coordinators were under severe stress in the early months of the project to keep abreast of inquiries, interviews with applicants, and preparation of applications for the loan committee. From time to time, the administrative tasks of managing the flow of applicants and the processing of their applications were especially burdensome. The ebb and flow of applications is still not understood completely. Three features of this project are noteworthy. The anonymity of the loan committee was carefully guarded. They served as a protective shield for the administrators of this program. Their decisions shifted the responsibility from the shoulders of the loan coordinators who were often "on the line," visible, and potentially, and in some cases actually, the victims of abuse and harassment from impatient and disappointed applicants.

Secondly, the staff of the McKnight Foundation were part of the administration of this project. Their first-hand link to this project was an indispensable part of guiding the project through its first year since no model existed for a program of this kind.

Thirdly, the program coordinators were intimately connected with the low-income experience, knew their communities well, and had a good grasp of community resources available for referrals. (See Appendix II and III for grants and loan resources in Hennepin and Ramsey counties.)

Perhaps the most persistent questions raised by the project was a scrutiny and refinement of criteria used to grant loans.

Ambiguities continuously clouded the clear-cut uses of the criteria of labor market attachment. For example, some applicants were, from time to time, deterred from a job search which they had initiated because of catastrophic personal circumstances: fires, robberies, intensely ill children, and an episode of their own illness. The loan committee in several instances determined that a loan could, in fact, assist them in maintaining a strong interest in a job search. Eleven percent of the applicants fell into this category during the first six months of the project.

As the project matured, indicators of an applicant's future capacity to pay back the loan emerged as an additional criterion. This was judged to be evidence that the applicant could use the loan to reduce immediate economic distress without creating yet another burden of debt. Therefore, a scrutiny of existing debts and the amount of disposable income available was added to the pool of criteria.

Generally, there was an understanding that the amount of "disposable income" (the amount of money that might be left over after basic needs were met for shelter, food, clothing) determined, to some extent, the capacity of the applicant to solve some problems with this modest amount of money.

For example, evidence was sought in the interviews and the applications for some assurance that there would be at least $80 a month in disposable income available in those instances where a car was asked for, knowing that at least that amount of money was needed for insurance, gas and upkeep.

Intuitive perceptions also played a part in the decisions. Evidence that there was "a certain competency" (a phrase used by a loan committee member) in how to budget a household economy with young children was carefully weighed.

THE PURPOSES OF THE EVALUATION PROJECT

The following are some assumptions that were held in designing the Loan Project for single parents:

1. That there existed within the community a group of single parents with young children living in marginal circumstances because of low-wage jobs that provided few benefits; and further, that the community resources had not generally been available to this group.
2. That traditional credit sources from lending institutions were not available to this group because of their low-income status and that therefore it was very difficult for them to build up a "credit reputation."
3. That a loan program which could make loans in the $500 range could be designed not as a long-term answer to persistent poverty, but rather to reduce incidents of distress associated with low and unstable incomes.

This evaluation study was guided by the following questions:

1. For whom and under what circumstances could a modest interest-free loan be beneficial in terms of reducing economic stress?
2. For whom and under what circumstances could a loan of this kind not be appropriate?
3. Does a program of this kind improve credit rating?
4. How could loans be used?
5. Could this project provide more detailed knowledge of "working poor" single parents families so as to formulate policies and programs that might be appropriate for a group that is under-served?

METHODOLOGY

SOURCES OF INFORMATION

THe data for this evaluation were collected in several ways. Information from applications and worksheets used by the loan coordinators and loan committees provided demographic data. Follow-up telephone interviews six to eight months after a loan was received provided another source of information. A few extensive interviews were conducted with randomly selected individual loan recipients. In addition, a directed panel discussion was held with a small group of loan recipients at the CHART program in Minneapolis and the PAT program in St. Paul, the two sites where the loan program was administered. Finally, several discussions were held with the loan program coordinators and the loan committees at the two sites.

METHODS

Information from the applications of 917 people who applied for loans between July 1984, and August 1985, as well as information from the worksheets used by the loan program coordinators and loan committees while processing the loans, was entered in a computer. Of these 917 applications, 393 (43 percent) were denied loans and 523 (57 percent) received loans.

An attempt was made to conduct a twenty minute telephone follow-up interview with each of the 523 loan recipients six to eight months after they received the loan. Of the 523 loan recipients, 243 (46.5 percent) were interviewed by a group of six graduate students from the University of Minnesota's School of Social Work. Interviews were typically conducted in the seventh month following the receipt of a loan. Thus, the follow-up interviews were concluded in February 1986. These telephone interviews included both open-ended and closed questions. (See Appendix IV, for interview schedule.)

This method facilitated the collection of data indicating both the spontaneous responses of the recipients to the program, as well as some specific information needed to assess the situations and circumstances of the recipients. Eight extensive, in-depth, face-to-face interviews were conducted with randomly selected individual loan recipients. Respondents were paid $5.00 for a telephone interview and $10.00 for a face-to-face interview. Panel participants were paid $8 and an additional amount for child care and transportation expenses.

PROFILE OF LOAN RECIPIENTS

DEMOGRAPHIC CHARACTERISTICS*

- Sex. Ninety-eight percent of the recipients were women and 2 percent were men.
- Age. The ages of loan recipients interviewed ranged from 19 to 57 years. The average age was 32 years, and the most typical age was 29.
- Race. The majority (64.3 percent) of the loan recipients interviewed were black, and 26.9 percent were white. The remaining loan recipients were American Indian (4.2 percent) and Spanish origin (3.8 percent).
- Education. Thirty-nine percent had some college education, 33 percent were high school graduates, 13 percent had less than a high school education, 6 percent were college graduates, another 7.5 percent had attended or graduated from a vocational school program, and a small number had some post college education.
- Number and ages of children. The loan recipients had a total of 1,129 children; the number ranged from one to nine. The average number of children was just over two. A large number of single parents had one child. The average age of the children of the loan recipients was nine. Pre-school children, age five or less, comprised 31 percent of all dependents.

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* Demographic data were derived from loan applications and from the telephone follow-up interviews. Since only 46 percent of the loan recipients were reached by telephone, some caution could be exerted in generalizing to the entire group of recipients.

Comments

In summary, the single parents who received loans were predominantly Black women, in their late twenties or thirties. Well over one-half had only one or two children. Perhaps most notable is the relatively high educational status of this group, with only 13 percent not completing high school and about 40 percent having some college education. While acquiring as much education as possible is typically perceived as a fundamental and crucial step in obtaining better employment and increasing the possibility of securing a higher level of income, why this group of women with their fairly high level of educational attainment could not access jobs with liveable wages is an unanswered question.

EMPLOYMENT AND EARNINGS

Of the 523 loan recipients included in this evaluation, 328 (63 percent) were employed and 195 (37 percent) were unemployed at the time of the loan application. Although time at the current job ranged from one to thirteen years, the average time in the current job was just over two years. However, 58 percent of the loan recipients had been employed in their current position for less than one year.

Most of the loan recipients reported being employed by businesses (51 percent), the non-profit service sector (22 percent), and by governmental units (10 percent). Typical jobs included typists and clerical workers (22.4 percent), clerks and cashiers (18.7 percent), an aide positions (14.6 percent).

Comments

Income from employment is typically in the secondary labor market, low paying and detached from benefit systems. This labor market is dominated by women. The average monthly after-tax wage of the recipients was $679, which is only $8,148 annually. This is below the poverty level for a mother and two children.

In addition, the types of employment most common among the loan recipients frequently do not provide opportunities for advancement. Benefits are also missing. For example, among those interviewed who were employed, only 42 percent reported employer-provided family health care benefits. An additional 8 percent reported employer-provided health care benefits only for themselves, but not for their children.

It is clear from these figures that the loan recipients generally work at the low-end of the labor market in marginal jobs with marginal benefits and few advancement opportunities.

INCOME SOURCES AND AMOUNTS

THose who applied for loans were asked to itemize the various sources of their monthly incomes. Table 1 lists these sources, the mean monthly amounts reported, and the percentage of loans recipients reporting each source.

TABLE 1. INCOME AT APPLICATION: LOAN RECIPIENTS

Source	Mean Amount	Percent Receiving Income from Source*
Wages	$679	56 %
AFDC	485	56
Food stamps (cash value)	150	50.2
Other sources**	362	10.3
Child support	205	9.7
Child are subsidy	139	3.6
Fuel assistance	212	2.7
Alimony	247	.3
TOTAL MONTHLY INCOME	$755	98 %

* The reports of a small number of loan recipients are missing from each source listed.

** Other sources include income from foster care, another adult living in the home, Social Security benefits or unemployment insurance.

In-kind Benefits

In addition to these sources of cash income, two sources of in-kind income benefits were reported by those receiving loans:

Housing assistance.	39%
Medical assistance.	50%

Comments

Wages, AFDC, or a combination of the two clearly provide the bulk of the incomes of most of the loan recipients. Food stamps, medical assistance, and housing assistance contribute substantially to the incomes of 40-50 percent of these single parents.

Of interest, is the strikingly low number (less than 10 percent) who receive any assistance at all in the form of child support from the absent fathers of their children.

From this data, one observes that gathering up sources of supplemental income is a pervasive condition for the low income single parents in this study. It is important to grasp the time and energy required to identify these supplemental sources and establish eligibility for them. Attempting to establish some stability for family income from this patchwork of income supplements requires a juggling act: one supplement may disqualify one from another need benefit. To augment income from these disconnected sources, retain a job, care for children and a household, and maintain a semblance of a life for oneself is to capture something of the overburden of low-income single parents.

PROFILE OF THOSE DENIED LOANS

Of the 917 loan applications included in this evaluation, 394 (43 percent) were denied loans.

The data about those who were denied loans was obtained solely from the loan applications. Therefore, most of the demographic data that was reported for loan recipients is not available for those denied loans. However, some comparisons can be made between the two groups of applicants.

The difference between those denied loans and those who received loans were very minor in terms of the demographic data available from both groups for comparison purposes. Perhaps the only significant difference, demographically speaking, is that these who were denied loans had a slightly higher percentage of pre-school children (34 percent compared to 31 percent of loan recipients).

The striking difference is in the employment pattern; while 63 percent of the loan recipients were employed, only 39 percent of those denied loans were employed.

Reliance on AFDC as a source of income reveals, as well as the unemployment rates between the two groups suggests the tenuous hold on jobs that was characteristic of those denied loans.

TABLE 2. A COMPARISON OF THE WORK-WELFARE STATUS OF LOAN RECIPIENTS AND THOSE DENIED LOANS*

	Recipients (N=271)	Denials (n=232)
Employed only	40.2%	16.8%
Employed and AFDC	20.7	10.3
Unemployed with AFDC only	36.9	70.3
Unemployed and no AFDC	2.2	2.6
	100.0%	100.0%

* This data was derived from applicants in the first six months of the program.

The precise circumstances of the unemployed status of those denied loans is not available to us. However, one can speculate that their slightly younger children and, perhaps, their positions as "discouraged workers" may prevent a higher rate of labor market attachment.

Among the reasons loans were denied: little evidence of work attachment; inappropriate loan requests; rate of in indebtedness; more suitable for other community resources.

THE LOANS: AMOUNTS, PURPOSES AND REPAYMENTS

AMOUNT OF LOANS

The guidelines for the Single Parent Loan Program established $500 as the maximum amount of a loan. The smallest loan given was $30. The average amount of the 523 loans included in this evaluation was $422.

PURPOSES OF LOANS

It was possible for a recipient to obtain a loan for multiple purposes. Therefore, the total number of loan purposes exceeds the number of recipients. Almost 90 percent of the loan purposes fell into three categories: transportation (42 percent); housing (30 percent); and utilities (71 percent). Other loan purposes were services (6 percent); miscellaneous (4 percent); and clothing (1.5 percent).

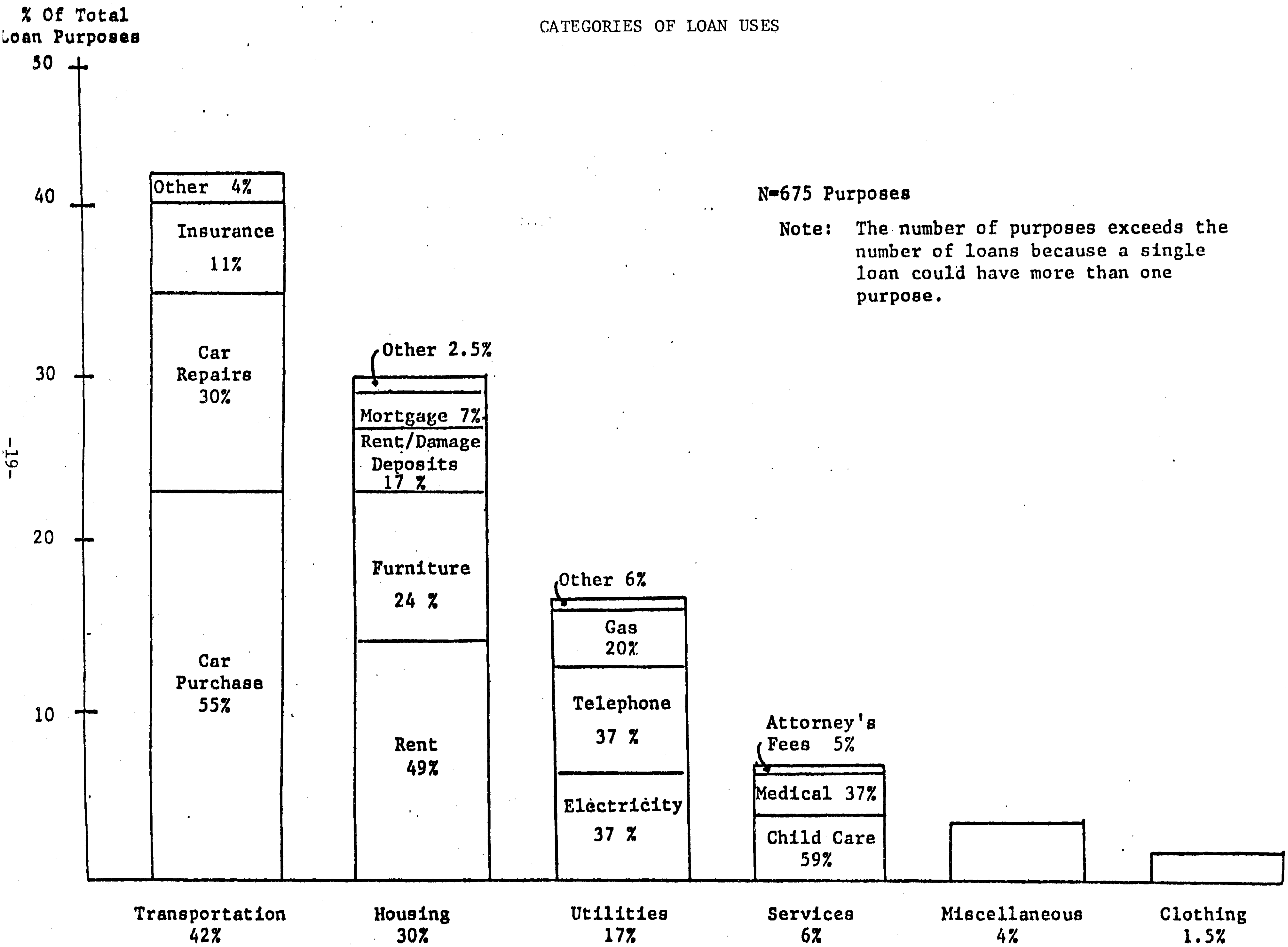
Slightly over one-half of the transportation related loans were for the purchase of a used car, and just under one-half of the housing related loans were for rent payments. About three-fourths of the utilities loans were evenly divided between loans for electricity and telephone bills.

When the purposes of the loans are not grouped in the major categories listed above and simply considered individually, the three most common purposes of loans were as follow: car purchase (23 percent); rent (15 percent); and car repair (12 percent).

Chart 1 presents the six general categories of loan purposes and the distribution of the specific purposes within each category.

CHART 1

CATEGORIES OF LOAN USES



REPAYMENT OF LOANS

As mentioned previously, the average loan amount was $442. The average monthly repayment rate was calculated at $20.07 to be repayed over 21.5 months. Therefore, a 100 percent repayment rate indicates that a recipient had paid the full amount due through February 1986.

The overall mean repayment rate was 34 percent. This repayment rate is significantly depressed by those who had repaid none of their loan through February 1986. One-third of the loan recipients fell into this category. At the other end of the continuum, only 7 percent had repaid 100 percent of the loan which was due. An examination of loan recipients, based on these repayment rates, is included later in this report.

REASONS FOR DENIAL OF LOANS

Among the twenty-two stipulated reasons for denying a loan, only four reasons accounted for over 60 percent of all reasons for denial. These were: no evidence of self-sufficiency activity (23 percent); did not exhaust all other sources (17 percent); ineligible purpose (12 percent); and insufficient income (10 percent).

These reasons for denial indicate that the key criteria to be used in making decisions about granting loans were adhered to.

Comments

Given the instability of their sources of income, it is no surprise, perhaps, that there is reliance on parents, other relatives, and friends as the "first call for help" in the various events that plunge this group into financial crises. Only after exhausting this source of help and sometimes other community resources did applicants come to the loan project for help. Almost all the applicants had some indebtedness, only the degree varied.

The major categories for which the loans were used suggest that these loans were used to serve a specific crisis and were, generally, not used for routine, recurrent needs.

The use of loans for transportation, specifically for car purchase and repairs (although bus cards were also purchased) alerts us to the central role of transportation in juggling child care, jobs, and family needs when single parents suffer not only poverty in income, but poverty in time, as well.

To get to work on time, to transport children to child care, and to be able to search for a job in an area wider than one's own immediate neighborhood were circumstances that were most frequently mentioned to justify the need for a car.

There is some indication that, through "street knowledge" and word of mouth, some recipients thought the loan program was only (or primarily) for car-related loans. This may have artificially inflated the number of requests for car repair or purchase loans. Nevertheless, the persistent use of the loans for securing or maintaining a car in running order is noteworthy.

Not everyone agrees that a car is necessary for economic survival. However, for the group of single parents under review, <u>their</u> perception was that the car was indispensable for maintaining self-sufficiency.

One has to understand that without a car, many of these mothers would have to get up at 4:30 a.m. in order to take children to child care and get a job. It was often mentioned that it was "impossible" to rely on public transportation, especially in suburban areas. Wintertime is an especially difficult period.

The housing and utility loan requests were often accompanied by stories of desperation: rent money stolen; the use of rent money to deal with a family emergency of an acute illness; back surgery with unpaid leave from a job and threatened cut-off of electricity; rent money used to pay pre-natal medical expenses for pregnant daughter; time off for surgery but not rehired and utility bill overdue. Few rent deposits were returned leading to the speculation that some single parents moved leaving behind an unpaid rent bill.

Loans for child care received fewer requests than had been anticipated. Some participants were receiving child care subsidies from other programs but generally, it was assumed that when applicants have to prioritize their needs, they are often able to come up with the relatively smaller sums needed for child care. It is the large lump sum--for a car, for a major medical or utility bill, for past due rent or damage deposits-- that is so difficult for low-income single parents to accumulate.

As we have seen from a review of the purposes of the loans, the judgements of the staff and loan committees appear, to a large extent, consistent with the goals of the project.

The repayment rate, as we have seen above is low, and in a high percentage of cases, non-existent. The anomaly between the high value of the loan program ascribed by the participants and the poor repayment rate can largely be attributed to the difference between the <u>will</u> (the intentions are strong) and the <u>way</u> (marginal income with little left over from pay day to pay day).

There is a profound irony in traveling the route to the self-sufficiency; upward mobility incurs costs. There is a price to be paid for "pulling oneself up by one's own bootstraps." Frequently mentioned was the fact that a steady job enabled some to improve their housing situations. But this, of course, occasioned higher housing costs. A steady job made it possible to change to more satisfactory child care arrangements, and this too incurred costs. Making more meant also that one was spending more in order to improve the standard of living. School loan debts were incurred in order to improve one's job advancement chances. There can be periods of regression in the struggle to stay ahead.

LOAN RECIPIENT CHARACTERISTICS AND LOAN REPAYMENT PATTERNS: A COMPARISON

Ability to pay back the loan was assumed to be a measure of some available discretionary income (about $20 a month) and a measure of some stability in household income. What circumstances might be associated with the ability or inability to meet loan repayments?

To explore this, we examined three repayment groups:

1: 50+ percent repayment rates which equalled 30 percent of loan repayments,

2: 1-49 percent repayment rates which equalled 37 percent of loan repayments,

3: 0 percent repayment rates which equalled 33 percent of loan repayments.

In total, 67 percent tried to fulfill the contract of repayment. For purposes of comparison we took groups 1 and 3 in order to uncover any distinctive characteristics between those with a high rate of repayment and those with a zero repayment history.

Both groups shared some similarities: unpaid utility bill; a high rate of residential mobility (two years or less at the current address); both received loans for somewhat the same purposes and in the same range, $420. Both had the same number of children, though the children in group 3 were younger. However distinctive characteristics appeared in both the sources of income and the expenditure pattern as we see in Table 3.

TABLE 3. A COMPARISON OF TWO REPAYMENT GROUPS*

	50 Percent Repayment	0 Percent Repayment
Selected Sources of Income:		
Percent employed	63%	47%
Monthly wage	$680	$669
Monthly child support	$239	$182
Monthly food stamp** (cash value)	$100	$226
Receives housing assistance	47%	38%
Expenditures:		
Rent/Mortgage	$257	$337
Utilities	$ 74	$ 94
Transportation	$ 34	$ 93
Child care	$117	$357
In debt to landlord	13%	32%

* Dollar amounts represent the mean.

** The higher amount received by the 0 percent repayment group is an indicator of their greater income insufficiency, compared to the 50 percent group.

As we see above group 1, those with a repayment rate of 50 percent and above had a substantially higher rate of employment. Almost two-thirds had income from wages. Further, child support (through few received it) was in higher amounts. Housing assistance was a striking difference. Almost half of the high repayment group received this supplementary help, compared to 38 percent in the non-payment group. The expenditure patterns are distinctive. In group 1 substantially less money is spent on rent/mortgage, utilities, transportation, and child care; thus leaving some margin for discretionary spending.

For group 3, a measure of their very low income is indicated by the fact that they received more than twice as much as group 1 in food stamps, which is calculated on income.

Both groups were in debt to landlords but the zero repayment group was substantially more in debt for unpaid rent, more than twice as much as group 1. Further, group 3 was more in debt on a variety of bills.

The disparity in child care and transportation expenditures is not easily explained by available data.

Unquestionably, those who made no repayment represent the severely impoverished portion of the single parent loan recipients. They have incurred a significant indebtedness, spend a disproportionate share of their income in child care and transportation, and rely heavily on food stamps to augment their income. They appear to have less access to housing assistance. Nevertheless, almost half are working and receiving income through wages earned.

Perhaps the characteristics of those who paid at the rate of 50 percent or more are somewhat predictive of those who can use a loan program of this kind to meet an unexpected crisis that requires a modest amount of cash. For group 3, the loans could appear unsuitable, adding another burden perhaps, to their accumulated indebtedness.

STATUS OF RECIPIENTS AT A SIX TO EIGHT MONTH FOLLOW-UP

Of the 523 loan recipients included in this evaluation, 46.5 percent (243 people) were able to be contacted for a follow-up interview. The following sections provide highlights of their status, as a group, at the time of the follow-up interview.

EMPLOYMENT AND UNEMPLOYMENT

When contacted, 61 percent of those interviewed were employed and 39 percent were unemployed. Of those employed, 80 percent reported being in the same job as the one they had at the time the loan was given. Of those employed at the time of the interview, 53 percent said they were looking for a job. Of those looking for a job, about one-third reported feeling discouraged about the prospects of finding a job, 40 percent said they were encouraged about the job prospects, and 31 percent were not sure. One-forth of those women who were unemployed at the time the loan was given had been employed since, but were unemployed, again, by the time they were interviewed.

The characteristics of the employment of those interviewed were much the same as they were when they applied for a loan. The most common employer was business, and the most common positions were typists and clerical positions. Those interviewed worked from four to seventy-two hours per week, with the mean number being thirty-five hours per week. The typical time at the present position was one year or less (43 percent), although the mean time in the present position was 2.7 years.

The average monthly take-home wages of the group which was interviewed was $713, or $8,556 annually. This wage is slightly higher than the mean wage of recipients at the time they applied for a loan.

INCOME SOURCES AND AMOUNTS

While there were no major differences in income sources and amounts six months after the loan, some slight improvements are worth noting. Generally, the group reached were "holding their own."

The loan recipients who were interviewed reported a slightly higher total mean income than did all recipients at the time the loan was received ($763 compared to $755). As when the loans were received, the three most common sources of income, in descending order, were wages, AFDC (44 percent reported this source), and foodstamps (40 percent reported this source). Of those interviewed, 15.6 percent reported receiving an average of $170 per month from child support, compared to 9.7 percent who reported this source at the time the loan was received. Housing assistance was received by 43 percent of those interviewed. Overall, there were no major difference between the amounts and sources of the income of those interviewed, compared to all those who received loans. Of those interviewed, 24 percent said their income was higher than at the time they received the loan, 56 percent said it was the same, and 20 percent said it was less.

PERCEPTIONS OF CURRENT SITUATION

Respondents were asked if things in general were better, the same, or worse than they were when they received the loan. The majority reported that things were better (57 percent), 31 percent said things were the same, and only 12 percent said things were worse. Those who said things were better, when asked why, most often said they were more independent, they had a better job, or they were feeling more secure. When asked if the loan contributed to their answer about how things were, 64 percent said yes and 36 percent said no.

Comments

An optimistic tone was perceived in more than half of those interviewed. One must note however that unstable employment, part-time jobs at low wages, and substantial reliance (44 percent) on AFDC for supplementation is still characteristic of a large share of the loan recipients.

THE VALUE OF THE PROGRAM AS PERCEIVED BY THE RECIPIENTS

The program was uniformly valued by the recipients. Approval was expressed for both the concept of the project and its accessibility to them. The availability of an interest free loan to solve an immediate crisis provided tangible help (enabling a credit rating to be established) to the intangible: providing some respite from the stresses of a stress-filled financial situation. The most frequently mentioned benefits were: restoring transportation, seeking/getting a job, and reducing personal stress.

Some comments representative of their feelings about the project were:

- "Stabilized my family and gives me a positive self image to own a house."
- "No more riding the bus! Freezing in the winter and being late to work."
- "Provided a car for work."
- "Helpful in a crisis. Prevented an eviction."
- "Helped immediate crisis, paid heat bill."
- "Helped to keep the utilities on. Only place to turn."
- "Enabled me to get back to school."
- "Helped pay off another loan at high interest."
- "Credit rating. Car helped with transportation for a lot of things."
- "Really needed it. It kept me from losing a job (car repairs). Something there for people who are trying to stay off welfare."
- "Baby expenses (child care) while in job training. Helped with moving expenses."
- "Solved day-to-day problems with transportation. Independence."
- "Good opportunity to get assistance and get on your feet. Can get loan without collateral."

- "Able to keep phone--a necessity because of daughter's poor health and for a job search. Helped with damage deposit."
- "I hope to pay it back so that others can get money."
- "It's a good program, I like it a lot, I will pay it back."
- "It's super. I'm grateful. Don't ever stop!"

Negative Comments

One notes with interest, however, that a small portion of responses revealed negative reactions to the program. The most prominent of these related to concerns about repaying the loans and the length of time it took for a decision to be reached about the loan.

VIGNETTES

The experience of living life at the edge of fiscal survival is incompletely captured by aggregate statistical and demographic data. The following capsule descriptions of the loan recipients* are not a typical of the 523 single parents who received loans in the first year and these brief vignettes may convey some characteristics of a group that is struggling resolutely to maintain their independence.

- Last year, Ms. G. injured her back lifting a patient while working as a nurse's aide at a nursing home. She was off work for six months and she only received two-thirds pay from Workers Compenstation. During that time, she fell behind on her bills and was unable to make the mortgage payments on her house. Since she was only receiving two-thirds of her regular pay, she just did not have enough money to cover all of her bills. She was threatened with losing her house. Ms. G. sought financial assistance from other agencies but was told that her level of income, as low as it was, was still too high to make her eligible for these programs.

  She eventually heard about the loan program and received a $500 loan for her mortgage payments. She is now back at work and making ends meet. Her budget is once again in order and she is able to make regular payments on all her bills. She was very appreciateve of the loan program and stated, "It saved me from losing my house!"

* The first three vignettes were derived from interviews during the first six months of the project. The last four vignettes were derived from interviews in the last six months of the project.

- Ms. M. had overdue medical bills from her hospital stay after giving birth to twins. She wanted to go back to work, but her wages would be garnisheed to pay her hospital bills if she became employed. The father of the children (who is making $40,000 annually) refused to assume responsibility for the medical bills. Ms. M. used her loan to hire a lawyer to take the necessary legal steps to make the father of the children legally responsible for the medical bills. After this was accomplished, she found employment and was working at the time of the follow-up interview.
- Ms. J. is employed as a clerk with a local bank and has also worked at part-time jobs on the weekends for extra money from time to time. She is very proud that she is employed and not on welfare. Although she has fairly serious medical problems and would qualify for some disability benefits, she has chosen to work because she feels better about herself and her finances when she is working. Ms. J. and her family live in subsidized housing.

  The loan Ms. J. obtained was used to purchase a car. Ms. J. describes many benefits from the loan. The car enabled her to travel to her part-time job, which she would have been unable to continue otherwise, and it also provided her with transportation to school, which she was able to complete because of her improved transportation situation. In addition, the loan for the car freed up some money in her budget to purchase much needed living room funiture and to pay off a Minnegasco bill. Minnegasco was threatening to cut off her service at the time.

  Furthermore, the loan has helped her establish a favorable credit rating, which she was having trouble establishing after a divorce.

Everything she owned during the marriage was in her former husband's name.

She reported that the loan was there at the right time, and she was very grateful for it. To date, she has repaid 100 percent of the payments due.

- Ms. L. has three children: 13 years, 4 years and a new baby. Up until the birth of the last child, she had been working full time at the same place for two years, earning $800 a month in a clerical position with a large insurance company. She had been awarded $850 a month for child support. To this date, she has not received one penny.

  When she discovered she was pregnant, she began to save in order to have enough money to carry her for two months, the duration of her maternity leave. The company she works for has no maternity leave plan. However, there were complications with her pregnancy and the birth of her child which forced her to take three months off. It was at this point, as she described it, that "everything fell apart." Because of not having enough money for that extra month away from work, she fell behind in her rent, and in other bills. Threatened with a garnishment action, she applied to the McKnight Loan Project. She received sufficient money to pay her rent. Further, she was assisted in putting together a plan for meeting the bills that had been accumulating.

  She had previously tried to arrange a loan through a Credit Union, but had been turned down as a bad risk. She is now back at work. She is described as an extremely competent woman with a "courageous sense of self-esteem."

- Ms. H. is a single parent in her late twenties with four children: an eleven year old, a four year old, a set of twins, aged two years.

She has been awarded $100 a month as child support, which she receives somewhat regularly. She works as a secretary in a religious organization.

One of the twins was born with a heart ailment and has been hospitalized since birth. This has created enormous difficulties. Anxiety, money crises and efforts to deal with day-to-day life exhausted Ms. H. Her situation was compounded by not having transportation to go back and forth to visit the child in the hospital, maintain a job, and care for three children at home.

During this period, she applied for AFDC and remained on that program for a few months. In a "fierce determination" to get herself off public assistance, she applied to the McKnight Loan Project for a loan for a car.

Having secured this, the car she bought stopped working. She returned to the McKnight Loan Fund a check which she had also received for insurance. Subsequently, however, she got the car fixed and received an additional loan to cover insurance. She is now back at work and although her baby is still in the hospital, she is managing, somewhat precariously, to carry on. For her, the ability to have a car, to receive some insurance for it, was key to her tenacious striving to maintain her self-sufficiency.

- Mr. S. is a single parent in his early thirties and is the sole caretaker of his children who are now two and four years old. His spouse had abandoned the children some six months before. He is now on AFDC but in a vigorous and resolute job search. He has established child care for both children and now has requested a loan for a car to assist him in maintaining his household, increase his ability for the job search, and maintain his ability to keep a job. He is optimistic about getting a job. He is described by the loan committee as extremely conscientious, highly motivated, a caring father and notable for his persistence in his job search efforts.

- Ms. T. The mother of two children, ages four and six, is currently working two part-time jobs and going to school in an effort to complete her college degree for a B.A. She works a "graveyard shift" in a nursing home and also works at another part-time job. Neither of these have provided medical health insurance for her children. Nor, in fact, is she better off financially than she had been an AFDC. Nevertheless, she continues to work twelve hours a day. She has not received a raise in either of her part-time jobs. She does receive $80 per month in child support for her two children and this comes somewhat regularly. Ms. T. is determined not to return to AFDC. She is clear in stating that the rent subsidy she secured under Project Self-Sufficiency, her child support, and her two part-time jobs are keeping her afloat. She is determined to get her college degree and join the professional ranks. Ms. T. received a loan to help her catch up with her rent payments. She paid that and has now secured a second loan in order to buy a car to enable her to carry on her two jobs and her school work.

DISCUSSION

For whom, and under what conditions will a modest, interest free loan for single parents be an appropriate response?

As a group, the 917 applicants (523 receiving loans and 394 denied loans) all experienced the effects of a fragile household economy that is the habitat of one-parent female-headed families. They all suffer from income insufficiency. The search for stability of income is a consuming pre-occupation.

Random events play a large part in plunging the frail household budget into a state of crisis: discovering that a child has a chronic illness; a car that stops running; a job that closes down; having to move because of a rat-infested apartment; a back injury; a job change with a $1 per hour reduction in wages; a child injured on a playground and no health insurance; recovering from the trauma of separation because of abuse, violence, abandonment. Then, how and why do individuals differ in their coping capabilities? While it is not easy to capture the complex interplay of personal and domestic characteristics with external factors such as availability of affordable child care, and whether or not there are suitable jobs to go to, some broad and distinctive profiles emerge from this evaluation study.

THE "UPSIDE" PROFILE

As revealed by those who could mobilize dollars to repay half or more of the loan, the "upside" profile could be described as working for wages and using more than one source of supplementary income. However, their access to housing assistance seems to be a key element. This apparently enables these households to release scarce dollars for other basic needs.

The group appears to have a fairly firm grasp of the first rung on the economic ladder of independence. Their personal characteristics, as described in the interview data and in the panel discussions, show that they are overwhelmingly a group that has a strong, indeed insistent, desire to achieve; an optimistic sense of confidence in themselves to make life better for themselves and their children. They appear to have gone beyond the depression of fear of failure, if indeed they ever had it. One senses, in this group, a sense of energy, a positive outlook, and a persistent commitment to maintaining a self-sufficient view of themselves. This is often expressed in the interview data in their desire to have a good model for their children. "I do not want a handout" recurs in the interview data as they describe themselves as fighters. They are on a search for better paying jobs; consider going back to school for more training, and eager for information on additional sources of augmentation to their household economy.

As a group they continue to work despite intimidating problems: losing arrangements with a neighbor for transportation to a job, they get up at 5 a.m. to use public transportation in order to leave children in day care and then go off to the job. All of this in the middle of a harsh Minnesota winter. Despite having little margin for anything more than meeting basic living expenses, they are creative jugglers in trying to meet their utility and rent expenses. They appear to be creating some stability in their lives. But still, they live from pay day to pay day.

The capacity to accumulate a ready amount of cash that is needed for a down payment on or repair of a car, a rent deposit, or a telephone installation, is almost impossible for single parents who are "down to the bone." Therefore, the size of the loan available (up to $500) was highly valued; perceived as a reasonable amount and manageable for repayment. A few recommended that a higher amount be loaned for special circumstances, especially as a down payment on a "good" car.

This group of loan recipients derives a high sense of value in seeing themselves as "an employed person." "Hanging in there" is a common expression in the interviewers' data. The loan program is an appropriate response for this group.

THE "DOWNSIDE" PROFILE

Data taken from those with a zero repayment record reveal a group of single parents with serious income problems.

Pervasive deprivation is indicated by not having enough food for their children, threatened utility shut-offs, no telephone, unpaid rent, and fluctuating employment. Basic needs of shelter, food, and child care consume their entire incomes and more.

External events frequently precipitate a crisis which is transformed into cumulative distress: loss of a job; wages garnisheed; a collection of unpaid bills. The search for assistance is often met with defeat: inability to secure enough assistance for child care consistent with take-home pay which is often minimum wage. This group of single parents is in their childbearing years. A significant portion reported crises associated with pregnancy, birth and the problems of child care for infants.

There is another group who received loans who are characterized by high mobility. Indeed, 40 percent could not be found for follow-up interviews. "address unknown" was the postal response. Telephones were disconnected. These are families in flight.

Without follow-up interviews we can only speculate, depending on the observations of the panel discussants and the loan coordinators. The accumulated bills for unpaid rent and utilities (the moratorium on utility bills ended recently: it was in effect from October 15th and ended April 15th) turns many of these families into urban nomads. They drift from place to place in search of a place live; often doubling up with family or friends. Often, they find cheap housing in unsafe neighborhoods. What is remarkable, according to the loan coordinators, is how many still retain a determination to keep working. However, their deteriorating economic status soon wears down their resiliency. Many in the "downside" group use AFDC as their primary income source and that seems a rational choice.

For this group, the loan may only add to their indebtedness and the high cost of trying to maintain a handhold on the "self-sufficiency" rung of the ladder. This group requires more comprehensive help and the modest nature of the loans, under this project, appears to be unsuitable.

A "MIDDLE" GROUP

Sandwiched in between these two clusters, we have a group that is less easily defined. Their attempts to grasp some financial stability for themselves and their children is evident in their continuation to work, with AFDC for supplementation. The availability of inexpensive child care arrangements, the amount of hours they can work, their ability to connect with other programs in the community, makes a difference. Unpredictable events often plunge them downward. Here, the loan committee exerts skilled judgements on whether the loan will reduce economic stress or simply add to indebtedness.

CONCLUSIONS

We cannot make predictions with absolute certainty for whom this loan project would be beneficial. Confounding variables shake up statistical generalizations. It is difficult to measure the qualities of competency, determination and energy needed to pursue work, work-related activities, and additional sources of income that have to be hunted and gathered to maintain a single parent family. It is impossible to foretell the random events which destroy the fragile construction of household economies which depend on one low-income earner.

Unanswered questions emerged with this study. Why can this relatively well educated group of single parents, predominantly black, gain access to jobs with liveable wages, benefits and advancement opportunities?

How large is the constituency for interest free loan program based on the McKnight model?

How is AFDC used: as a supplement to stabilize an uncertain source of income from wages? For its access to the benefits of child care and medical programs?

How do the cost factors in increasing work activity (transportation, increased child care cost, better housing, etc.) contribute to the pervasive indebtedness of this group?

Thinking about the single parents and their varying coping abilities and circumstances, one is struck with the similarities of their condition and those of the Minnesota farmers who are also struggling with fiscal uncertainties. They both suffer from cash flow problems. Single parents also depend, to a great degree, on loans, credits and the hope of a "good season" which will provide them with stability in their jobs, sufficient wages and additional streams of income that will enable them to keep their heads above water. To some extent, this is as uncertain as the weather that farmers experience. But one notes that we could identify a certain portion of single parents that were able to "weather the storm." For them, the loan project played an important role in reducing the stress of fiscal uncertainty.

RECOMMENDATIONS

1. The directors of the McKnight Foundation are urged to continue the loan program under somewhat altered conditions from the original concept.
2. The criteria for eligibility should be clearly articulated in a brochure or handout. The loan program should be available only for those in a job or verifiable active job search. Participation in a training program should be eliminated as a category, since the loan may only add to existing indebtedness.
3. Loan committees should retain the discretion to act on behalf of applicants in extenuating circumstances. There will always be a question as to the precise balance between an approach that relies for decision on a uniform, highly prescribed procedure, and one that permits intuitive and discretionary judgements. It is fair to say that as the project matured, the margin for discretion was somewhat narrowed, as it became clearer as to who could and could not use the project beneficially. However, it is our contention that loan committees, along with loan coordinators, must be trusted with wide margins for their own judgements. Rigid standards of eligibility are not suitable for a loan project of this kind.
4. Workshops on child support, family planning, programs for housing subsidies, regulations on food stamps and medicaid, should be initiated for loan applicants. These workshops might also encourage informal networks for self-help support groups among single parents. Panel participants stated they would volunteer to assist in the formation of these workshops.

5. New repayment schedules should be initiated. Smaller payments over a longer period of time; a moratorium or repayment until they have reached a wage and income level that allows for at least $20 a week in discretionary funds.

   One suggestion from panel participants might be considered: those who have fallen on hard time and cannot repay within a reasonable time, but very much want to "clear" their name, could volunteer and repay "in kind."

6. Loans for transportation are key items for working single parents. Loans up to $1,500 might be considered for those for whom a working car is essential. The transportation puzzle is a difficult item. Cars, insurance, repairs and maintenance consume a large share of marginal incomes and have to balance the need for this kind of transportation, described as essential by working single parents, against other basic needs in a dilemma. A task force to consider the role of transportation in the lives of single parents might yield answers to the predicament.

7. For those in the "downside," i.e., with accumulated indebtedness outpaced by income, a good referral system to other programs and resources should be initiated. Their circumstances and need for <u>grants</u>, not loans, should be a subject of community concern. A day long meeting of relevant state, local and community agencies should consider some fresh initiatives for this group who appear to be in sharply deteriorating financial circumstances. They are the poorest of the "working poor" and their needs appear to be beyond those of this loan project.

8. The high cost of administering a loan project of this kind deserves attention. The project consumes a large amount of staff time in

confirming eligibility, paper work in preparing loan documents, and bookkeeping responsibilities in pay-back procedures. In addition, staff must respond to inquiries, appeals, and clarification of denials. Outreach and interagency coordination are also required. The extent to which some administrative work can be simplified and routinized through the use of a computer should be investigated.

Beyond recommendations to the directors of the McKnight Foundation, there are broad concerns which need to be brought to public policy attention: the need to provide stability and a level of income sufficiency for working single parents may be the dominant issue of the remaining years of the decade. The experiment of the Wisconsin Child Assurance project should be explored. Accelerating the availability of housing subsidies for this population is essential. Attention should be paid to the tax code to give broader child care dependent tax credits and relieve these low income families of tax claims. Health care at an affordable fee for these families is a necessity. Finally, perhaps a credit union could be established to make loans and repayments more accessible to this group.

FOOTNOTES

1. See, for example, Mary Jo Bane and David Ellwood, "The Dynamics of Dependency: The Routes to Self-sufficiency," Cambridge, MA, Urban Systems Resources, 1983.

   Services to Young Families: Program Review and Policy Recommendations, American Public Welfare Association, Washington, D. C. (ed. Harriette McAdoo and T.M. Jim Parham), July 1985.

   U.S. Commission on Civil Rights, "A Growing Crisis: Disadvantaged Women and Their Children," Washington, D.C., Government Printing Office, May 1983.

   John L. Palmer and Isabel V. Sawhill, "The Reagan Experiment," Washington, D.C., Urban Institute, 1982.

2. "Money, Income, and Poverty Status of Families and Persons in the United States: 1984," Current Population Reports, Consumer Income, Series P-60, No. 149, advance data from the March 1985 Current Population Survey, U.S. Department of Commerce, Bureau of the Census.

3. U.S. Department of Commerce News, Bureau of the Census, Washington, D.C. Memo, Monday, December 16, 1985, CB85-223.

4. U.S. Department of Commerce and U.S. Department of Housing and Urban Development, July 10, 1985, CB85-124.

5. A recent tax proposal from the Senate attempts to respond to this inequality in the tax code by recommending the removal of six million low-income families from the federal tax rolls. See the Minneapolis Star and Tribune, May 7, 1986, p. 6A.

6. See, for example, Ira Moscovice and William J. Craig, "Federal Cutbacks and Working AFDC Recipients: a Preliminary Impact Analysis," CURA, University of Minnesota, Minneapolis, MN, December, 1982 and 1983.

APPENDIX I

THE MCKNIGHT FOUNDATION--LOANS FOR LOW INCOME SINGLE PARENTS

VOLUNTEER LOAN COMMITTEE COMPOSITION

	PAT	CHART
Staff of social service agencies	2	3
Agency clients/former clients	1	1
County or public agency staff	1	1
Agency volunteer	1	
	5	5

Appendix II

RESOURCES FOR LOANS AND GRANTS: HENNEPIN COUNTY

TABLE A. Financial Services Provided

Name Address Phone	Eligibility Requirements	Restrictions	Financial Services Provided
Community Emergency Assist. Program, Inc. (CEAP) 7231 Brooklyn Blvd. Brooklyn Ctr, MN 55429 566-9600	Residents of Brooklyn Center, Brooklyn Park, Champlin and the Camden area of Minneapolis. Looks at the expenses related to income and budgeting ability. Must demonstrate some income stability and that the problem is resolvable.	One time only. $500 limit.	Loans and/or grants for almost any emergency, depending on the situation. No interest on loans. Repayment is flexible.
Community Emergency Service 1900 11th Ave. South Minneapolis, MN 55404 870-1125	Must have eviction or foreclosure notice, must have children in the family, must demonstrate that problem is resolvable (i.e. won't happen again next month).	One time only. $500 limit.	Grants for housing purposes only.
Division of Indian Work 3045 Park Avenue South Minneapolis, MN 55407 827-1795	American Indians in urban area. Income eligibility requirements follow AFDC guidelines. Must have exhausted other resources.	Time limit on repayment varies with situation. Money usually limited to $100.	Loans and/or grants provided for clothing expenses, utility bills, medical expenses, funeral expenses. No housing expenses provided. No interest on loans. Flexible repayment schedules provided.

Name Address Phone	Eligibility Requirements	Restrictions	Financial Services Provided
Energy Assistance Program 4100 Vernon Ave. South St. Louis Park, MN 55416 920-2171	Households at/or below 60% of state median income. Must be heat vulnerable (vulnerable to the rising cost of energy expenses). Cannot have >$25,000 in personal assets (does-not include car or home).	Only once per heating season (October - May). Limit from $200-$810 (depending on type of heating sytem).	Grants for energy related purposes only.
Hennepin County Economic Assistance Department 10A Government Center 300 S. 6th Street Minneapolis, MN 55487			
a) Financial Crisis Unit 348-4952	For AFDC recipients only. Must be cooperating with WIN program.	Once a year. No dollar limit, depends on situation.	Grants for emergency situations, i.e. fore-closure, eviction, major home repair, utility cutoff, etc.
b) Emergency Assistance 348-4952	For non-AFDC people, i.e. anyone else in an emergency situation. Must have children in the family (under 21) or 6 months pregnant before applying. Must demonstrate that problem is an emergency & won't crop up again.	Once a year. No dollar limit, depends on situation.	
Interchurch Community Organization 13120 E. McGinty Road Minnetonka, MN 55343 938-0729	Residents of Hopkins, Minnetonka, and Excelsior. Need assessed on an individual basis, no strict income requirements.	One time only. No dollar limit, depends on situation.	Loans and/or grants for housing assistance, damage deposits, utility cutoffs, etc. No interest on loans. Flexible repayment schedules.

TABLE B. Financial Counseling Services Provided

Name Address Phone	Eligibility Requirements	Fees	Financial Counseling Services Provided
Consumer Credit Counseling Service of Minnesota 600 1st Avenue North Suite 790G Minneapolis, MN 55403 339-1485	Anyone.	Charges based on ability to pay.	Personal or family budget planning assistance, money management and arrangements with creditors for repayment of debts, housing counseling (pre-purchase counseling, pre-rental counseling, default and delinquency counseling).
Family and Children's Service 414 South 8th Street Minneapolis, MN 55404 (Elaine Dietrich) 340-7459	Residents of United Way Area and Hennepin County.	Charges based on ability to pay.	Financial counseling.
Homeownership Consultant Services 344 Morgan Avenue North Minneapolis, MN 55405 529-9541	Anyone.	None.	Financial counseling which covers a variety of housing issues.
Love Lines, Inc. 328 East Hennepin Ave. Minneapolis, MN 55414 379-1199	Anyone.	None.	Financial counseling.
Minnesota Financial Counseling Service, 212 Plymouth Bldg. 6th and Hennepin Minneapolis, MN 55402 332-7402	None.	Charges based on ability to pay.	Individual and family money management; credit and debt management counseling; housing, mortgage and rent delinquency counseling; bankruptcy counseling.

Name Address Phone	Eligibility Requirements	Fees	Financial Counseling Services Provided
Pilot City Regional Center 1315 Penn Avenue North Minneapolis, MN 55411 (Susan Henderson) 348-4752	Resident of Pilot City Area.	None.	Financial counseling.

Appendix III

RESOURCES FOR LOANS AND GRANTS: RAMSEY COUNTY

TABLE A. Financial Services Provided

Name Address Phone number	Eligibility	Restrictions	Financial Services Provided
AFL-CIO 333 Sibley Street St. Paul, MN 55101 291-8302	Any person needing emergency assistance on a limited basis.	$25 limit.	Loans and grants up to $25 for any emergency.
East Area Community Center 1575 Ames St. Paul, MN 55106 774-9647	Low income Ramsey County residents.	Income limit which depends on family size. Three people <$1,009 per month.	Grants for all kinds of energy (heating) assistance.
Emergency Fund Service 344 South Robert St. Paul, MN 55107 228-9831	Need must be temporary. Must have an eviction notice.	Available to families, not individuals.	Loans for security deposits and rent.
Helping Hand Club 1999 Shepard Road St. Paul, MN 55116 690-7349	Farm families in financial need. Small annual budget ($1,500).	Children under eighteen who are not terminally ill.	Help with hospital expenses incurred for children.
Merrick Community Center 715 Edgerton St. Paul, MN 55101 771-8821	Available to anyone experiencing an emergency.	No income restrictions.	Grant program. Vouchers primarily for food and pharmaceuticals. Sometimes for gasoline to get to a job. Very rarely for rent.
New Beginnings Center 644 Selby St. Paul, MN 55104 224-3835	Emotionally and/or physically abused women and their children in need.		Emergency assistance including financial assistance.
Project Life 790 Cleveland St. Paul, MN 55116 690-3888	Demonstrated financial need during pregnancy.		Grants or interest-free loans to cover medical expenses, housing, misc. Average disbursement: $700.

Name Address Phone number	Eligibility	Restrictions	Financial Services Provided
Ramsey Action Programs 509 Sibley Street St. Paul, MN 55101 227-8954	Low income only.		Grants for energy assistance during winter months.
Ramsey County 160 E. Kellogg Blvd. St. Paul, MN 55101 298-5351 (Emergency Assistance)	Ramsey county residents. There are strict eligibility requirements that depend on circumstances. Must show proof of crisis situation.	In economic need. Must meet guidelines. Must be a one time need. Only one grant per year is allowed.	Grants to cover a variety of emergency situations.
St. Paul Urban Laegue 401 Selby Avenue St. Paul, MN 55102 224-5771	People "in need."	"Small" grants.	Grants for emergency needs. Transportation, security deposits, rent assistance, food, mortgage payments, temporary shelter, utility assistance and out-of-state travel.
Veterans Adminstration Regional Office and Insurance Center Federal Building Fort Snelling St. Paul, MN 55111 726-1454	Veterans and their dependents.		A variety of financial assistance.

TABLE B. Financial Counseling Services Provided

Name Address Phone number	Eigibility	Fees	Financial Counseling Services Provided
Attorney General's Consumer Protection Division 117 University Avenue St. Paul, MN 55155 296-3353	Any Minnesota resident.	None.	Financial counseling and loan advice. Hot-line giving information on home financing issues.
Family Service of St. Paul 333 Sibley Street St. Paul, MN 55101 222-0311	Open.	Based on ability to pay.	Financial counseling and educational groups on budgeting. A debt repayment plan is offered for people in financial crisis.
New Beginnings Center 644 Shlby Avenue St. Paul, MN 55104 224-3835		None.	Financial counseling.
Tel-law 430 Marquette Minneapolis, MN 55402 333-1183	Open to anyone.	None.	A library of tapes on a variety of financial issues including bank-ruptcy.

Single Parent Loan Program Evaluation

Interview Schedule

______________ Interviewer

______________ I.D. Number

______________ Date of Interview

______________ Month/Year of Loan

______________ Months Since Loan

Interviewers: Before beginning the interview, use the loan application and loan worksheet to fill in the information in the boxes. You will need to refer to this information throughout the interview. TOL=time of loan.

First, we would like to ask you some questions about your employment situation since you received your loan last ______________.
Month of loan

At the TOL:

Employed? ____yes ____no

(If YES)

Employer: ______________

Position: ______________

After tax salary: ______________
Per ______________
week or month?

(If NO)

Currently job seeking? ____yes

____no

Notes/Comments:

1. Are you currently employed? ____yes (continue q.#2) ____no (go to page 3)

(If YES)

2. Who is your employer? ______________
(Job 2) ______________
(Job 3) ______________

3. What is your job there? ______________
(Job 2) ______________
(Job 3) ______________

4. What is your take-home pay after taxes are taken out? (circle one)
(Job 1) __________ per wk/month
(Job 2) __________ per wk/month
(Job 3) __________ per wk/month

5. How many hours per week do you work?
(Job 1) __________
(Job 2) __________
(Job 3) __________

6. How long have you been employed there?
(Job 1) __________
(Job 2) __________
(Job 3) __________

CONTINUE ON PAGE 2

Interviewers:
All questions on this page pertain only to those who are currently employed.
Ask the questions from section A or B, depending on the situation.

A. If currently employed and employed at TOL:

7. Is this the same job you had when you received the loan? ____yes (go to q. 8 & 9) ____no (go to q. 10 & 11

[If yes]

8. Since you received the loan, have there been any changes in:

Note: If you see any apparent changes not mentioned, probe and follow up on them.

-your after tax salary? _____yes ____no

(if yes) was it an _____increase? _____decrease?

-the number of hours you work each week? ____yes ____no

(if yes) did your hours ____increase? _____decrease?

-your position? ____yes ____no

(if yes) What was the change?

-have there been any other important changes in your job? ____yes ___no

(if yes) What?

9. Have you had any other jobs since you received the loan? ____yes ____no

[If yes] How many other jobs have you had? _______

[If NO]

10. Why did you leave the job you had at the time you received the loan?
(Check the appropriate reason(s) after the respondent answers)

____Got a better job

____Laid off

____Fired

____Quit
Why did the person quit?

____Other reasons (What reasons?):

11. Have you had any other jobs since you received the loan? ____yes ____no

[If YES] How many other jobs? _________

GO TO PAGE 4

****

B. If currently employed and unemployed at TOL:

12. Is this the only job you have had since you received the loan? ____yes ___no

[If NO] How many different jobs have you had? _________

Interviewers: Ask the questions on this page if the respondent is currently unemployed

13. Are you currently looking for a job? ____yes ____no

[If YES] How is it going?

Overall, do you feel ___encouraged about your job prospects?
___discouraged
___not sure

14. Are you receiving any unemployment benefits? ____yes ____no

[IF YES] How much are you receiving? $________ per ______wk/month (circle one

Interviewers: Ask questions in section C or D depending on the situation

C. If currently unemployed and employed at TOL:

15. Why did you leave the job you had at the time you received the loan? (Check the appropriate reason(s) after the respondent answers)

____To get a better job
____Laid off
____Fired
____Quit WHY?
____Other reason: What?

16. Have you had any other jobs between the time you received the loan and now? ____yes ____no

[IF YES] How many jobs have you had? ______

GO TO PAGE 4

****

D. If currently unemployed and unemployed at TOL:

17. Have you been employed at all between the time you received the loan and now? ____yes ____no

[If YES] How many jobs have you had? ________

Why did you leave your last job? (Check the appropriate reason(s) after R answers)

____To get a better job
____Laid off
____Fired
____Quit WHY?
____Other reasons WHAT?

GO TO PAGE 4

Now we would like to ask you a few questions abut your living arrangements.

At TOL:

____own ____rent

____house

____apartment

____other (what?)

No. of dependents_______

Ages of dependents____________

Notes/Comments:

18. Are you living at the same place you were when you received the loan?

_____yes (go to 19) ____no (continu

[If NO]

How many times have you moved since you received the loan? __________

Why did you move to your present location?

Do you live in a _____house?

_____apartment?

_____other (specify)

Do you _____own?

_____rent?

_____some other arrangement (specify)

19. Would you say you feel satisfied, dissatisfied or something in between with your present house/apartment/other?

____satisfied

____dissatisfied

____ambivalent

20. How many adults live in your household? __________ (include R)

[If other adults] What is (are) the relationship(s) of the other adult(s) to you?

21. How many children live in your household? __________

22. Are you currently living with the same people you lived with when you received the loan?

_____yes ____no

[If NO] What has changed?

23. How many dependents do you have other than yourself? ________

24. How old are your dependents? ____________________

25. Think back to when you received the loan. Are your present living arrangements ____better ____about the same, or _____worse than they were then?

INCOME & EXPENSES

It would be helpful to us to know something abut your current financial situation.

Income at TOL:
AFDC__________
Fuel Asst. __________
Alimony__________
Child Support__________
Food Stamps__________
Child Care Sub.__________
Employment __________
Other (specify) __________
Housing Asst. ___yes ___no
Notes/Comments:

26. Think about your income last month. I am going to mention several different sources of income. Please tell me how much you received from each source last mt

AFDC	__________
Fuel Asst.	__________
Alimony	__________
Child Support	__________
Food Stamps	__________
Child Care Sub.	__________
Wages (after tax)	__________
Other (specify)	__________
	__________

27. Do you receive housing assistance? ____yes ____no [If YES] Type?

28. Was last month a fairly typical month in terms of income? ____yes ____no

    [If NO] Why not?

29. Is your current monthly income ____a lot more than it was when you received the loar

    ____about the same

    ____a lot less

    [If a change...more or less] What caused the change?

→ Interviewers: Follow-up on any apparent major changes not mentioned.

30. Now, think back to last month, again. Could you tell me how much you spent for:

Expenses at TOL:			
Rent/Mortgage	________	Rent/Mortgage	________
Utilities	________	Utililties	________
Food	________	Food	________
Transportation	________	Transportation	________
Child Care	________	Child Care	________
Medical	________	Medical	________
Insurance	________	Insurance	________
Loan Payments	________	Loan Payments	________
Other (specify)	________	Other (specify)	________
	________		________
Notes/Comments:			

31. Were last month's expenses fairly typical? ____yes ____no

[If NO] What was not typical?

32. Are your current expenses ____a lot more than when you received the loan?

____about the same

____a lot less

[If changed] What caused the change in monthly expenses?

→ Interviewers: Followup on any apparent major changes not mentioned.

33. How do you pay for your health care?

34. Could you tell me about your child care arrangements?

Who takes care of your children?

How much does child care cost each month?

35. Are you behind on any of these monthly bills?

	Yes	NO
Rent/ Mortgage	____	____
Car payment	____	____
Utilities	____	____
Phone	____	____
Credit cards	____	____
Bank Loans	____	____
Other bills? (specify)	____	____
	____	____

36. Do you have any other outstanding debts? ____yes ____no

[If YES] What?________________

What?________________

What?________________

DEMOGRAPHICS

37. There is some information about you which we don't have which would help us know who received these loans.

What is your age? ________

What is your race? ________

Male/Female? ____________

What was the highest grade or level of education you completed? __________

What is your current marital status? ________________

Has your marital status changed since you received the loan? ____yes ____no

LOAN PAYBACK

→ Interviewers: Circle correct option before interview.

Repayment record from files:
Amount of loan $________
Monthly payment $________
Total monthly payments to repay ________
Date monthly payment scheduled to begin ________
Total no. payments made ________
Total no. payments should have made ________
%payments made to date ________
Notes/Comments:

As you know, this is a loan program which involves a monthly repayment. According to the information I have it appears that: (choose correct statement)
(through March)

a. you have regularly made payments of $________.

b. you have sometimes been unable to make your monthly payment.

c. you haven't been able to make your monthly payments.

→ Interviewers: Ask the question that corresponds to the option circled above.

38.

a. How difficult has it been to make regular payments?

____very difficult

____difficult sometimes

____not difficult at all

b. What has prevented you from making regular payments?

c. What has prevented you from making any payments?

39. Would you prefer that this program be a cash grant which did not have to be repaid rather than a loan which you are supposed to repay?

What are your reasons for answering this way? ____yes ____no

40. What have been the positive things about receiving this loan?[Probe]

41. Has receiving this loan helped you establish a credit rating? ___yes ___no ___DK

42. Has receiving this loan helped you with your employment in any way? ___yes ___no
[If yes] How?

43. What have been the negative things about receiving this loan? [Probe]

44. Think back about the way you heard about the loan program, the application process, and your experience with this program. Would you change anything about the loan program or the way it operates? ____yes ____no (Probe)

[If YES] what would you change? [Get specifics]

45. Overall, since receiving the loan, are things in general ______better for you.
______about the same
______worse for you.

[If better or worse] Why do you feel this way?

46. Did receiving the loan play a part in the way you answered the last question? ____yes ____no

[If YES] How?

47. Is there anything else you would like to say about the loan program?

48. Do you have any questions about the interview?